

~~CONFIDENTIAL~~

26 May 1953

COUNTRY: India

~~SECURITY INFORMATION~~

25X1A9a [REDACTED] 18295

SUBJECT: Improvement in Honesty of Government Administration

25X1A9a

Place ACQUIRED - [REDACTED]

25X1A6a

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DATE ACQUIRED - [REDACTED]

DATE OF 25X1X6 Mar 53

SOURCE: [REDACTED]

1. I have been impressed by the great improvement in the honesty of government administration. This is not confined to the top executives but extends on down to the lower echelons where bribery was the usual way of getting things handled when I first came to India in 1949. Today this has disappeared and such departments as Customs and Tax are making a zealous effort to make their departments yield the greatest possible revenue.
2. I can account for this only as an awakening of the individuals to their responsibility to their government and the realization they now must depend on their own efforts. The announcement of the Five-Year Plan and its anticipated deficit seemed to bring home to them the fact they alone could overcome this. Since the announcement, we have been conscious of a tightening up of all government functions. More questions are being raised about values declared for customs purposes, tax returns, etc.
3. Many of the questions occur due to the poor training of government personnel but must always be recognized for its sincerity. The approach to such questions is always most courteous and explanations are graciously acknowledged. They often come to us for advice on matters not affecting my company. We, in turn, try to be helpful and have voluntarily pointed out some ways they could increase their revenues.
4. There is never any hint that their checking is due to our being a foreign company, and I am sure we receive at least as good treatment as any native concern.
5. Recently, we were questioned about the values of chemicals declared for duty purposes. These values are supported by invoices from the suppliers to our parent company in the U.S. But the customs people had been alert enough to note that other importers were declaring higher values. We pointed out that our parent company obtained lower prices due to the volume of their purchases, which was readily accepted as an adequate explanation.

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6. But the government representatives then fell into a discussion among themselves as to whether we should not also pay on the higher rates. After listening for some time I invited them to raise the duty and pointed out it would save the company money since the duty rate was lower than the excess profits tax. They then begged we forget the matter and left.